Forecast Methodology:

Adjusted Taxable Kilowatt Hours Produced X Growth Rate X Tax Rate → **Total Wholesale Energy Transaction Tax Revenue**

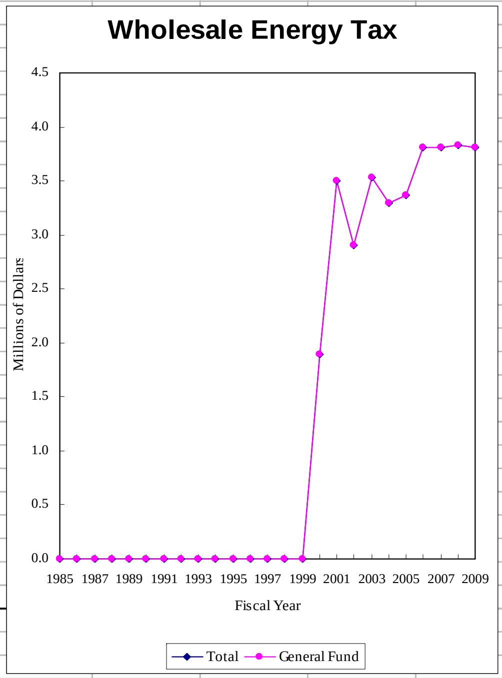
Revenue Estimate Methodology:

The wholesale energy transaction tax is applied to the number of kilowatt hours transmitted less five percent for line loss on out-of-state transmissions. The estimate for the tax revenue is derived by estimating the annual taxable kilowatt hours transmitted for each company and any company anticipated to be transmitting within the 3-year period in question. From these estimates, the tax rate is applied. Since all kilowatt hours transmitted is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.

Data

All energy transmitting companies are surveyed for anticipated kilowatt hours transmitted, anticipated new transmissions, anticipated downtime or reduced transmission, and a percentage split between in-state and out-of-state transmissions. Data from quarterly reports produced by DOR provide a history of in-state and out-of-state kilowatt hours transmitted by each individual company.

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1985	0.000000	0.000000	Not App.
A	1986	0.000000	0.000000	Not App.
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	0.000000	0.000000	Not App.
A	1993	0.000000	0.000000	Not App.
A	1994	0.000000	0.000000	Not App.
A	1995	0.000000	0.000000	Not App.
A	1996	0.000000	0.000000	Not App.
A	1997	0.000000	0.000000	Not App.
A	1998	0.000000	0.000000	Not App.
A	1999	0.000000	0.000000	Not App.
A	2000	1.894704	1.894704	Not App.
A	2001	3.503427	3.503427	84.91%
A	2002	2.906263	2.906263	-17.05%
A	2003	3.532056	3.532056	21.53%
A	2004	3.292659	3.292659	-6.78%
A	2005	3.370263	3.370263	2.36%
A	2006	3.813495	3.813495	13.15%
F	2007	3.814000	3.814000	0.01%
F	2008	3.827000	3.827000	0.34%
F	2009	3.811000	3.811000	-0.42%



Analysis

A number of different techniques can be used to develop the revenue estimate for this source. Choosing a technique depends on whether the technique passes the "reasonable" test. The survey technique was used in this analysis.

Legislative Fiscal Division

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LFD Mission Statement

We are committed to enhancing the legislative process through understandable and objective fiscal policy analysis and information.

The Legislative Fiscal Division
Presents

Taxes in Brief…

Wholesale Energy Tax

November 2006 **Fiscal Pocket Guide**

Revenue Description:
The wholesale energy transaction tax, enacted by the 1999 legislature (HB 174 effective January 1, 2000) is imposed on the amount of electricity transmitted by a transmission services provider in the state.

Legislative Fiscal Division
Revenue & Taxation Policy
Room 110, State Capitol
Helena, MT 59620-1711
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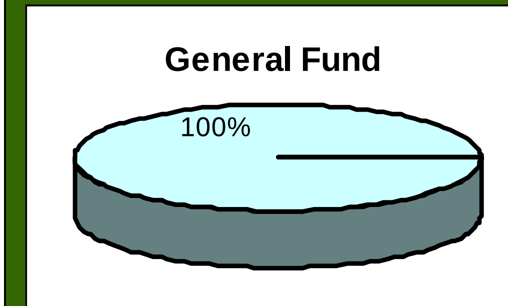
Statutory Reference:
Tax Rate (MCA) – 15-72-104(1)
Tax Distribution (MCA) – 15-72-106(3)
Date Due – 30th day of the month following the end of the calendar quarter

Applicable Tax Rate(s):
The tax rate of 0.015 cent is applied to the number of kilowatt hours transmitted. If the electricity is produced in-state and sold out-of-state, the taxpayer is the person(s) owning the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider. The tax does not apply to: 1) electricity that is transmitted through the state that is neither produced nor consumed in the state; 2) electricity generated in the state by an agency of the federal government for delivery outside the state; 3) electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition under HB 390 (1997 legislature); 4) electricity delivered to a purchaser that received its power directly from a transmission or distribution facility owned by an entity of the US government; 5) electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996; 6) electricity that has been subject to the transmission tax in another state; and 7) a 5 percent line loss exemption for transmission of electricity produced in the state for delivery outside of the state.

Distribution:
All proceeds are deposited into the general fund.

Distribution Methodology:



Collection Frequency: Quarterly

% of Total General Fund Revenue:
FY 2004 – 0.24%
FY 2005 – 0.22%
FY 2006 – 0.22%